

**STATEMENT REGARDING**

**AGRICULTURAL TRADE WITH CUBA**

**HEARING OF THE COMMITTEE ON AGRICULTURE**

**THE HONORABLE ROBERT W. GOODLATTE  
CHAIRMAN**

**PRESENTED BY**

**ROBERT WRIGHT  
EXECUTIVE VICE PRESIDENT  
SALES AND MARKETING**

**PILGRIM'S PRIDE CORPORATION  
PITTSBURG, TEXAS**

**WEDNESDAY, MAY 16, 2005  
WASHINGTON, DC**



Good morning. Thank you, Chairman Goodlatte for the opportunity to present the views and recommendations of the National Chicken Council and National Turkey Federation regarding the very important issue of U.S. agricultural trade with Cuba, especially with respect to poultry. Mr. Chairman, Congressman Peterson, and Committee members, we appreciate the strong and vital interest you have shown with respect to the issue of today's hearing.

My name is Robert (Bob) Wright and I am Executive Vice President, Sales and Marketing for Pilgrim's Pride Corporation. My company has poultry and egg operations in the states of Virginia, Texas, Pennsylvania, Alabama, Arkansas, Georgia, Kentucky, Louisiana, North Carolina, Tennessee, West Virginia, Arizona, California, Iowa, Mississippi, Utah and Wisconsin. More than 5,000 dedicated family farmers work hard each day to help us produce the chickens, turkeys, and eggs we need to serve our customers here at home and abroad. Pilgrim's Pride is a publicly traded company and is listed on the New York Stock Exchange under the symbol PPC.

### Exports Are Critical

Although the major enterprise for Pilgrim's Pride is our young meat chicken (broilers) operations, our turkey and egg operations contribute very significantly to our company's success. Over the past 15 years it has become more and

more critical that my company, like most major poultry companies, export a significant share of our production, especially chicken leg quarters. Market analysts have calculated that at least 40 percent of the chicken leg quarters produced must be exported if the industry is to have a reasonable opportunity to make a fair return on our investment. To achieve 40 percent, each and every export market must be fully-serviced so that marketing opportunities are not diminished nor lost. U.S. consumers overwhelmingly prefer chicken and turkey breast meat compared with the back-half of the bird. So, exporting leg quarters and other leg meat is critically important in balancing supply with demand.

Cuba is the seventh largest market for U.S. poultry exports. Since December 2001, U.S. exporters have sold for cash almost 200,000 metric tons of poultry valued at over \$127.5 million. The vast majority of these exports have been chicken leg quarters. At the same time, however, it is important to note that the turkey products being exported to Cuba are especially important for those turkey companies engaged in this export business.

#### OFAC Action Unnecessary

So, you can appreciate my dismay and my fellow industry men being disheartened on February 22 when the Office of Foreign Assets Control (OFAC)/U.S. Department of Treasury announced its re-interpretation of certain

rules governing U.S. agricultural exports to Cuba. Such re-interpretation by OFAC was not necessary. When trade began in December 2001 and until now, U.S. poultry exporters, just as other U.S. agricultural product exporters, have followed the rules and regulations that were developed to implement the 2000 Export Enhancement Act (TSREEA). U.S. poultry exports believe they have been following both the intent of Congress and the spirit of the Act when payment was made by the Cuban buyer prior to receiving title to the product. Payment of cash in advance of the product changing ownership is clearly what Congress intended. But, under the recent re-interpretation by OFAC, that arrangement, which has functioned well for more than three years, is not an option. I continue to wonder why OFAC's action at this time was necessary.

Exports of poultry, like other farm products, to Cuba are now in jeopardy of being lost. Putting these exports at risk was not necessary. Over the years, the National Chicken Council, the National Turkey Federation, and I, personally, have applauded when the U.S. government has publicly stated on occasion after occasion that the United States will be a reliable supplier of the world's food needs and that unilateral government actions that abrogate contracts for export will not happen. How do U.S. poultry exporters explain to the Cuban buyer that the contracts signed in good faith can no longer be honored? Surely, OFAC could have opted to allow existing contracts for exports to Cuba to be

valid. I hope someone can explain how setting this very unfortunate precedent is in the national interest of the United States.

OFAC does continue to permit exports with the use of letters of credit through third countries. It remains to be seen if this option is actually viable for poultry exports. If it is viable, there could be significant additional costs compared with the payment of cash in advance option.

### Recommendations

Since it is critically important that U.S. poultry exports to Cuba not be disrupted, or worse, I believe it is imperative that OFAC re-evaluate its decisions regarding existing contracts and permit these contracts to go forward until the agreed-upon transactions are completed. At the same time, I urge this Committee to work with the full House of Representatives to promptly pass legislation that clearly and fully defines the term “payment of cash in advance” so that trade can continue as it has since December 2001.

U.S. poultry producers and exporters look forward to working with the Committee and your fellow Congressmen to accomplish what Congress clearly thought it has done when it passed in October 2000 the 2000 Export Enhancement Act . As the title of the law states, TSREEA was designed to

enhance exports and promote farm goods exports to help build a stronger U.S. agriculture sector.

I would be pleased to respond to your questions regarding this very important issue.

Thank you again for the opportunity to share my thoughts and recommendations.